



JON M. HUNTSMAN, JR.
Governor

GARY R. HERBERT
Lieutenant Governor

State of Utah

DEPARTMENT OF NATURAL RESOURCES

MICHAEL R. STYLER
Executive Director

Division of Oil, Gas and Mining

JOHN R. BAZA
Division Director

July 1, 2009

Travelers Casualty and Surety Company of America
1100 East 6600 South, Suite 500
Salt Lake City, Utah 84121

Subject: Cancellation of Surety Bond [REDACTED] Nephi Sandstone Corporation, Cedar Springs Mine, M/023/0059, Juab County, Utah

Dear Sir or Madame:

The Utah Division of Oil, Gas and Mining (Division) received your letter, regarding cancellation of surety bond [REDACTED] in the amount of \$30,000.00 effective October 3, 2009. The mine operator, Nephi Sandstone Corporation, is being advised that a replacement surety must be provided by August 8, 2009, in accordance with the terms of their reclamation contract.

The Division recognizes the statement on the letter that the account has been re-marketed with another surety company, but we have not yet received a replacement surety. For this reason, we cannot yet accept the cancellation.

Under the terms of the above referenced surety bond, Travelers Casualty and Insurance Company remains liable for reclamation of the existing disturbance. If the surety is not replaced by September 3, 2009, the Division will immediately issue a cessation order to Nephi Sandstone and a demand that it commence reclamation. Failure of Nephi Sandstone to reclaim the mine within 30 days of issuance of the cessation order may result in the Division making demand on Travelers Casualty and Insurance Company to either proceed with reclamation or to pay to the Division the amount of the bond. If Travelers fails to complete reclamation or make payment as requested, the Division may proceed to file a Request for Agency Action with the Board of Oil, Gas and Mining to seek forfeiture of the bond.

Please confirm that you remain responsible as surety for the reclamation of the existing disturbance. We also ask that you advise the Division immediately if there is any reason or if any conditions arise that may preclude you from continuing as surety for reclamation of the existing disturbance.



Travelers Casualty and Surety Company

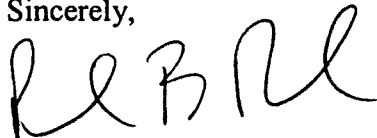
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M/023/0059

July 1, 2009

Thank you for your cooperation. If you have any questions, please feel free to call me at 801-538-5261.

Sincerely,

A handwritten signature in black ink, appearing to read 'P. Baker', with a stylized, cursive script.

Paul Baker

Minerals Program Manager

PBB:pb

Enclosure Letter to operator dated July 1, 2009, and copy of surety

Cc: Bruce Evans, Nephi Sandstone

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DUPLICATE ORIGINAL
EFFECTIVE OCTOBER 3, 2002

ATTACHMENT B

FORM MR-5
January 19, 2000

Bond Number
Permit Number m/023/059
Mine Name Cedar Springs

RECEIVED

NOV 25 2002

DIV. OF OIL, GAS & MINING

STATE OF UTAH
DEPARTMENT OF NATURAL RESOURCES
Division of Oil, Gas and Mining
1594 West North Temple Suite 1210
Box 145801
Salt Lake City, Utah 84114-5801
Telephone: (801) 538-5291
Fax: (801) 359-3940

THE MINED LAND RECLAMATION ACT

SURETY BOND

The undersigned Nephi Sandstone Corporation, as Principal, and Travelers Casualty and Surety Company of America, as Surety, hereby jointly and severally bind ourselves, our heirs, administrators, executors, successors, and assigns, jointly and severally, unto the State of Utah, Division of Oil, Gas and Mining (Division) in the penal sum of Thirty Thousand and NO/100** dollars (\$ 30,000.00).

Principal has estimated in the Mining and Reclamation Plan approved by the Division on the 12th day of February, 20 04, that 5.9 acres of land will be disturbed by mining operation in the State of Utah.

A description of the disturbed land is attached as "Attachment A" to the Reclamation Contract, of which this document is an integral part.

The condition of this obligation is that if the Division determines that Principal has satisfactorily reclaimed the disturbed lands in accordance with the approved Mining and Reclamation Plan and has faithfully performed all requirements of the Mined Land Reclamation Act, and complied with the Rules and Regulations adopted in accordance therewith, then this obligation shall be void; otherwise it shall remain in full force and effect.

If the Mining and Reclamation Plan provides for periodic partial reclamation of the disturbed lands, and if the lands are reclaimed in accordance with such Plan, Act and regulations, then Principal may apply for a reduction in the amount of this Surety Bond.

In the converse, if the Mining and Reclamation Plan provides for a gradual increase in the area disturbed or the extent of disturbance, then, the Division may require that the amount of this Surety Bond be increased, with the written approval of the Surety.

This bond may be canceled by Surety after ninety (90) days following receipt by the Division and Principal of written notice of such cancellation. Surety's liability shall then, at the

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Attachment B

Bond Number _____
Permit Number m/023/059
Mine Name Cedar Springs

expiration of said ninety (90) days, cease and terminate except that Surety will remain fully liable for all reclamation obligations of the Principal incurred prior to the date of termination.

Principal and Surety and their successors and assigns agree to guarantee said obligation and to indemnify, defend, and hold harmless the Division from any and all expenses (including attorney fees) which the Division may sustain in the collection of sums due hereunder.

Surety will give prompt notice to Principal and to the Division of the filing of any petition or the commencement of any proceeding relating to the bankruptcy, insolvency, reorganization, or adjustment of the debts of Surety, or alleging any violation or regulatory requirements which could result in suspension or revocation of the Surety's license to do business.

IN WITNESS WHEREOF, the Principal and Surety hereunto set their signatures and seals as of the dates set forth below.

Nephi Sandstone Corporation
Principal (Permittee)

By (Name typed): Bruce H. Evans

Secretary/Treasurer
Title

Bruce H. Evans
Signature

19 November 2002
Date

Surety Company
Travelers Casualty and Surety
Company of America

Surety Company Name

Elizabeth E. Clark
~~XXXXXXXXXXXXXXXXXXXX~~ Attorney-In-Fact
~~Surety Company Officer~~

Title/Position

Elizabeth E. Clark
Signature

One East Uwchlan Ave, Ste 311

Street Address

Exton, Pennsylvania 19341

City, State, Zip

801-278-5341

Phone Number

11/05/2002
Date

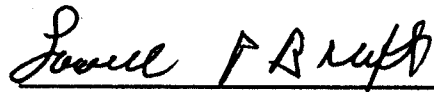
DUPLICATE ORIGINAL
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Bond Number _____
Permit Number m/023/059
Mine Name Cedar Springs

SO AGREED this 23 day of Feb., 2009.

AND APPROVED AS TO FORM AND AMOUNT OF SURETY:



Lowell P. Braxton, Director
Utah State Division of Oil, Gas and Mining

*NOTE: Where one signs by virtue of Power of Attorney for a Surety, such Power of Attorney must be filed with this bond. If the Operator is a corporation, the bond shall be executed by its duly authorized officer.

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Attachment B

Bond Number _____
Permit Number m/023/059
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AFFIDAVIT OF QUALIFICATION

On the 5th day of November, 2002, Elizabeth E. Clark
personally appeared before me, who being by me duly sworn did say that he/she, the said
Elizabeth E. Clark is the Attorney-In-Fact of
Travelers Casualty & Surety Company ~~of America~~ and duly acknowledged that said instrument was
signed on behalf of said company by authority of its bylaws or a resolution of its board of
directors and said Elizabeth E. Clark duly acknowledged to me that said
company executed the same, and that he/she is duly authorized to execute and deliver the
foregoing obligations; that said Surety is authorized to execute the same and has complied in all
respects with the laws of Utah in reference to becoming sole surety upon bonds, undertaking and
obligations.

Signed: Elizabeth E. Clark
~~Surety Officer~~ Attorney-In-Fact

Title: _____

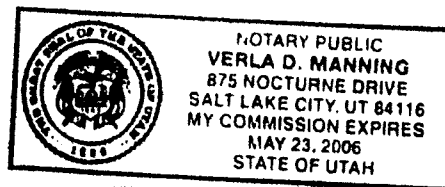
STATE OF Utah)
) ss:
COUNTY OF Salt Lake)

Subscribed and sworn to before me this 5th day of November, 2002.

Verla D. Manning
Notary Public
Residing at: Salt Lake City, UT

My Commission Expires:

May 23, 20 06



IN WITNESS WHEREOF, TRAVELERS CASUALTY AND SURETY COMPANY OF AMERICA, TRAVELERS CASUALTY AND SURETY COMPANY and FARMINGTON CASUALTY COMPANY have caused this instrument to be signed by their Senior Vice President and their corporate seals to be hereto affixed this 8th day of February 2001.

STATE OF CONNECTICUT

JSS. Hartford

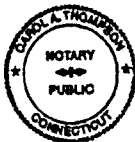
TRAVELERS CASUALTY AND SURETY COMPANY OF AMERICA
TRAVELERS CASUALTY AND SURETY COMPANY
FARMINGTON CASUALTY COMPANY

COUNTY OF HARTFORD



By 
George W. Thompson
Senior Vice President

On this 8th day of February, 2001 before me personally came GEORGE W. THOMPSON to me known, who, being by me duly sworn, did depose and say: that he/she is Senior Vice President of TRAVELERS CASUALTY AND SURETY COMPANY OF AMERICA, TRAVELERS CASUALTY AND SURETY COMPANY and FARMINGTON CASUALTY COMPANY, the corporations described in and which executed the above instrument; that he/she knows the seals of said corporations; that the seals affixed to the said instrument are such corporate seals; and that he/she executed the said instrument on behalf of the corporations by authority of his/her office under the Standing Resolutions thereof.





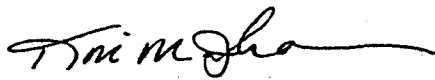
My commission expires December 31, 2002 Notary Public
Carol A. Thompson

CERTIFICATE

I, the undersigned, Assistant Secretary of TRAVELERS CASUALTY AND SURETY COMPANY OF AMERICA, TRAVELERS CASUALTY AND SURETY COMPANY and FARMINGTON CASUALTY COMPANY, stock corporations of the State of Connecticut, DO HEREBY CERTIFY that the foregoing and attached Power of Attorney and Certificate of Authority remains in full force and has not been revoked; and furthermore, that the Standing Resolutions of the Boards of Directors, as set forth in the Certificate of Authority, are now in force.

Signed and Sealed at the Home Office of the Company, in the City of Hartford, State of Connecticut. Dated this 5th day of November, 2002.



By 
Kori M. Johanson
Assistant Secretary, Bond